

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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INFO AMEMBASSY BUCHAREST

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SUBJECT: "FREE TRADE" AGREEMENT NEGOTIATIONS WITH POLAND AND ROMANIA

REF: HELSINKI 1685

1. SUMMARY: FINNS HAVE NEGOTIATED "FREE TRADE" AGREEMENT" WITH FIFTH EE, POLAND, LEAVING ONLY ROMANIA OUTSTANDING. AGREEMENT, TO BE SIGNED LATE SEPTEMBER, PROVIDES FOR MUTUAL STAGED TARIFF REDUCTIONS. FINNS MAINTAIN THAT INCORPORATION OF ADDITIONAL PROVISION CALLING UPON POLAND TO APPLY FOREIGN TRADE SYSTEM TO SECURE BENEFITS FOR FINNISH GOODS AVOIDS IMPLICATION THAT EFFECTIVENESS OF POLISH TARIFF ACCEPTED. END SUMMARY.

2. FINLAND AND POLAND CONCLUDED NEGOTIATION OF A "FREE TRADE" AGREEMENT IN WARSAW ON AUGUST 19. IT WILL BE SIGNED AROUND SEPTEMBER 24 OR 25, PROBABLY IN HELSINKI,
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BY POLISH MINISTER OF FOREIGN TRADE AND NAVIGATION OLZEWSKI

AND SAKARI LEHTO, FINNISH FOREIGN TRADE MINISTER. KAARLO YRJO-KOSKINEN, SENIOR ECONOMIC OFFICIAL OF THE MINISTRY FOR FOREIGN AFFAIRS WHO LED FINNISH DELEGATION AT THE NEGOTIATIONS, TOLD THE PRESS THAT AGREEMENT WILL TAKE EFFECT NEXT JANUARY 1. IT PROVIDES FOR GRADUAL LOWERING OF TARIFFS, WITH COMPLETE ELIMINATION BY JANUARY 1, 1979. HE SAID THAT IT LARGELY FOLLOWS THE TEXT OF THE CORRESPONDING AGREEMENTS WITH BULGARIA, HUNGARY, CZECHOSLOVAKIA AND EAST GERMANY. HE ADDED THAT IT HAD NOT BEEN POSSIBLE TO CONCLUDE SUCH AN AGREEMENT EARLIER WITH POLAND SINCE THAT COUNTRY DID NOT START TO APPLY A TARIFF UNTIL THE BEGINNING OF THE CURRENT YEAR.

3. YRJO-KOSKINEN WELCOMED CALL BY EMBOFF TO DISCUSS AGREEMENT, SAYING HE HAD PLANNED HIMSELF TO GET IN TOUCH WITH US VERY SHORTLY. HE OBSERVED THAT HIS GOVERNMENT WELL AWARE THAT POLISH TARIFF NOT SUBMITTED TO INTERNATIONAL EXAMINATION AND THAT ITS EFFECTIVENESS NOT NOW ACCEPTED. ACCORDINGLY, AS IN AGREEMENTS WITH CZECHOSLOVAKIA AND GDR, AN ARTICLE 9 HAS BEEN NEGOTIATED THAT CORRESPONDS TO CHARACTER OF CONDUCT OF TRADE OF THE PARTICULAR COUNTRY. AS YRJO-KOSKINEN INFORMALLY DESCRIBED IT, ARTICLE REQUIRES POLAND TO APPLY ITS FOREIGN TRADE SYSTEM SO THAT THE BENEFITS FOR FINNISH GOODS CALLED FOR UNDER THE AGREEMENT WILL BE SECURED EFFECTIVELY AND FULLY WITH RESPECT TO ACCESS TO AND COMPETITIVENESS IN THE POLISH MARKET. HE MAINTAINED THAT THIS APPROACH AVOIDS ACCEPTANCE OF EFFECTIVENESS OF POLISH TARIFF. HE ADDED THAT WHEREAS THE CZECHS ADMIT THEIR TARIFF IS NOT EFFECTIVE THE POLES HAVE INDICATED DESIRE TO MAKE THEIRS EFFECTIVE, AND FORMULATION PROVIDES SUITABLE "BRIDGE".

4. YRJO-KOSKINEN SAID AGREEMENT HAS A FEW OTHER DEPARTURES FROM THOSE WITH BULGARIA, CZECHOSLOVAKIA, HUNGARY AND GDR. IT HAS A SPECIAL ARTICLE ON FOREIGN EXCHANGE THAT COMMITS PARTIES NOT TO ACT IN SUCH A WAY AS TO JEOPARDIZE AGREEMENT'S OPERATION.

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5. YRJO-KOSKINEN PROMISED COPY "AS SOON AS POSSIBLE", WHICH PROBABLY MEANS UPON SIGNATURE. HE SAID HE WOULD BE PREPARED IF NECESSARY TO TRAVEL TO WASHINGTON, BUT WOULD PREFER TO CONDUCT ANY PRE-GENEVA DISCUSSIONS WITH USG THROUGH THIS EMBASSY. HE GUESSED GATT WP UNLIKELY MEET ON NEW FTA BEFORE SUMMER, AFTER QUESTION AND ANSWER PROCEDURE COMPLETED.

6. POLAND IS FINLAND'S SECOND LARGEST COMMUNIST TRADING PARTNER, AFTER USSR. IN 1975, FINNISH IMPORTS FROM POLAND, MAINLY COAL, VALUED AT FMK 617 MILLION (\$160 MILLION), OR 2.2 PERCENT OF TOTAL IMPORTS. FINNISH EXPORTS TO POLAND WERE FMK 258 MILLION (\$67 MILLION), OR 1.3 PERCENT OF TOTAL EXPORTS. YRJO-KOSKINEN RELATED FINNS GOT FED UP WITH HARD CURRENCY DEFICIT OF FMK 1.1 BILLION (\$300 MILLION) ACCUMULATED OVER THE YEARS; AGREEMENT REACHED BTWEEEN TWO GOVERNMENTS LAST WINTER THAT EFFORTS WOULD BE MADE TO REDUCE GAP. POLISH COMMERCIAL COUNSELOR BEJGER CONFIRMS POLISH EXPORTS TO FINLAND WILL BE DOWN 20 PERCENT THIS YEAR, AND IMPORTS FROM FINLAND UP.

7. ROMANIA, ONE REMAINING EE WITH WHOM FTA NEGOTIATIONS NOT COMPLETED, CURRENTLY HAS 40-MAN ECONOMIC DELEGATION HEADED BY DEPUTY FOREIGN TRADE MINISTER STANCIU HERE FOR EIGHT-DAY VISIT. ANNOUNCED PURPOSES ARE SIGNING OF LONG-TERM ECONOMIC COOPERATION AGREEMENT, MEETING OF JOINT COMMISSION AND NEGOTIATIONS ON "RECIPROCAL REMOVAL OF TRADE BARRIERS," WHICH MEANS FTA. HOWEVER, ROMANIAN EMBASSY'S COMMERCIAL OFFICIAL AND YRJO-KOSKINEN BOTH INDICATED THAT WHILE FTA LIKELY TO BE DISCUSSED, MOVEMENT BEYOND PRELIMINARY STAGES OF NEGOTIATIONS NOW UP TO GOR, AND THERE IS NO SIGN THAT BUCHAREST PREPARED AT THIS POINT FOR INTENSIVE NEGOTIATIONS.

8. COMMENT: (A) OUR INITIAL REACTION IS THAT FROM POINT OF VIEW OF CONSISTENCY WITH GATT FTA WITH POLAND PROBABLY REPRESENTS NO GREAT IMPROVEMENT OVER THOSE WITH GDR OR CZECHOSLOVAKIA. IT MIGHT BE CONSIDERED IMPROVEMENT OVER FTA WITH BULGARIA BECAUSE IT LIMITED OFFICIAL USE

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LACKS IMPLICATION THAT MUTUAL TARIFF REDUCTIONS CONSTITUTE RECIPROCITY, I.E., THAT TARIFF OF PARTICULAR COMMUNIST COUNTRY IS EFFECTIVE. BULGARIAN TARIFF, OF COURSE, WAS NEVER SUBJECT TO GATT EXAMINATION, BUT FINNS DID NOT HOLD OUT FOR "BRIDGE" PROVISION.

(B) FTA WITH POLAND APPEARS TO HAVE IMPLICATIONS FOR HANDLING OF POLISH TARIFF IN GATT. THE ARTICLE 9 "BRIDGE" WOULD SEEM TO CARRY CLEAR IMPLICATION POLISH TARIFF NOT FULLY EFFECTIVE, WHICH IS AT ODDS WITH POLES' DESIRE TO GET GATT IMPORT COMMITMENT REMOVED. AUSTAD

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